

INVESTIGATION INTO THE PRICING POLICIES OF THE METROPOLITAN TRANSPORT TRUST

TERMS OF REFERENCE

The Terms of Reference for the investigation to be conducted by the Government Prices Oversight Commission ("the Commission") into the pricing policies of the Metropolitan Transport Trust (MTT) are outlined below. These Terms of Reference address each of the issues outlined in section 25 of the *Government Prices Oversight Act 1995* ("the Act").

The Functions and Other Activities of the MTT

Under the Ministerial Charter in place for the MTT pursuant to the *Government Business Enterprises Act 1995*, the MTT is required to operate in accordance with the following policies:

- ensure the provision of an integrated system of public transport providing access for all sections of the community to all major centres of activity in Hobart, Launceston and Burnie;
- provide a high quality urban transport service consistent with demand and maximum cost efficiency; and
- provide an attractive and viable means of public transport and help reduce the social consequences of excessive reliance on the motor car.

The main objectives and activities of the MTT, as outlined in its Ministerial Charter, are as follows:

- (a) to perform its functions and exercise its powers so as to be a successful business by:
 - operating in accordance with sound commercial practice and as efficiently as possible; and
 - maximising the sustainable return to the State in accordance with its corporate plan and having regard to the economic and social objectives of the State;
- (b) to perform on behalf of the State its community service obligations in an efficient and effective manner;
- (c) to perform any other objectives specified in the *Metropolitan Transport Act 1954*; and
- (d) to provide public transport in Hobart, Launceston and Burnie in accordance with the *Metropolitan Transport Act 1954*.

The Pricing Policies and the Monopoly Service to be Investigated

The Commission is to investigate the pricing policies associated with the current provision of bus services by the MTT in Hobart, Launceston and Burnie, including the provision of non-commercial services by the MTT.

The Date of Completion

The Commission must provide a copy of the Final Report required under section 35 of the Act in respect of the MTT investigation by 28 February 1997.

Additional Matters to be Taken into Account

In addition to taking into account the matters explicitly referred to in section 31 of the Act, the Commission must also take into account the following issues when conducting the MTT pricing investigation:

- the implications of the broader National Competition Policy reform agenda for the pricing policies of the MTT; and
- the Government's response (if any) to the Report by the Committee of Review on Public Vehicle Licensing in Tasmania ("the Burton Review").

Requirement for the Commission to Make Recommendations

The Final Report provided by the Commission under section 35 of the Act must contain recommendations in relation to appropriate maximum prices (as defined in section 4 of the Act) to be charged by the MTT in respect of its bus services during the period of three years after the completion of the Final Report.

Draft Report

At an appropriate time during the investigation, the Commission must make available a Draft Report.

MATTERS TO BE CONSIDERED

The *Government Prices Oversight Act 1995* (Section 31) requires that:

"In an investigation, the Commission must consider the following:-

- (a) the cost of supplying or providing the monopoly service;
- (b) any interstate or international benchmarks for prices, costs, revenues and return on assets in bodies supplying a service similar to the monopoly service;
- (c) the need to protect consumers from the adverse effects of the exercise of monopoly power by a monopoly provider in relation to prices, pricing policies and standards of service in respect of the supply of the monopoly service;
- (d) where appropriate, the need for a reasonable return to the State (including the payment of dividends) on the assets of a monopoly provider;
- (e) the need for efficiency in the supply of the monopoly service for the purpose of benefiting the public interest through a reduction in the cost of supplying the monopoly service;
- (f) the effects of inflation;
- (g) the need for the monopoly provider to be financially viable;
- (h) the impact on pricing policies of any borrowing, capital, dividend and tax equivalent obligations of the monopoly provider, including obligations to renew or increase assets;
- (i) any ministerial charter that applies to the monopoly provider;
- (j) any community service obligations of the monopoly provider;
- (k) the quality of the supply of the monopoly service;

- (l) the matters set out in the terms of reference;
- (m) any other matter the Commission considers relevant.”